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May 2004

Published bimonthly for ASAE International Section members

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ASAE's core purpose is to advance the value of voluntary associations to society and to support the professionalism of the individuals who lead them.

East-West Fusion: Association Opportunities in the Asia-Pacific Region

By Dennis L. Longworth

Expansion opportunities for associations in the Asia and the Pacific Rim present unique challenges. For example, when exploring opportunities in the region, be aware that the terms *nonprofit* and *not-for profit* will not always translate correctly or be understood.

Terms such as *nongovernment organization* and *civil society organization* are more common in the Asia-Pacific region. As defined by the World Bank:

- *NGO* is a group or institution that is entirely or largely independent of government and that has primarily humanitarian or cooperative rather than commercial objectives.
- *CSO* is a non-state organization that neither attempts to generate profits nor to seek governing power; instead attempting to unite people by advancing shared interests and agendas.

There are commonalities, such as shared interests among members, nongovernmental status, voluntary participation, self-governing, and no profit distribution to members, when either term is used.

Successful business model

Unlike North America, countries in the Asia-Pacific region have cultures that are hundreds, if not thousands, of years old. Standard business plans and methods of operation will not work. It is not uncommon for entities in these countries to have a 100-year long-range plan and a 50-year business plan. With this in mind, a successful association business model should be based on three components.

1. Personal relationship. If your association is going to establish an independent brand and presence, a representative of your association should establish a personal relationship with a peer in the organization that is to be a potential partner. Your association representative should learn about the history, culture, politics, and language of that country and show a genuine interest in everything that is shared.

2. Knowledge exchange. Knowledge has enormous value in the Asia-Pacific region. Not just the information, research, and knowledge that a U.S. or European association has assembled and created, but also the knowledge that can be obtained from any of the Asia-Pacific associations or nongovernment organizations. This knowledge will be priceless for the partnering association's membership and stakeholders. Precisely communicate the knowledge that your association has to offer and the prescribed value to the targeted partner. Do not deviate from the first description of the intellectual property and do not disclose the full details of that property until the personal relationship has been established.

3. Long-term commitment. The Asia-Pacific region has deeply rooted cultures, one facet of which is long-term commitment. Partnerships, business engagements, or commitments, once established, are assumed to be lifelong. To be successful, your board of directors, staff, members, and stakeholders must understand this commitment and its ramifications on the association's goals and finances.

Potential opportunities

The Asia/Pacific region offers many opportunities for associations.

- **Hong Kong.** Hong Kong is part of China's one-country, two-system strategy. The politics of China have changed the organizational structure of the country with a new focus on the Chinese culture, language, and currency. The community continues to be fast paced and entrepreneurial with a business focus that creates opportunities for associations. An association can form a chapter, offer membership, expand its products and services, or form a business alliance. North American, European, and Australian associations have chapters located in Hong Kong.
- **Singapore.** An association must comply with the Societies Act by registering with the government before starting an endeavor. The culture is one of strong ethics and high-quality products and services. A strong entrepreneurial focus offers numerous unique opportunities for associations, including those with the business community, convention center, tourists and visitors bureau, multinational corporations, and civil societies. An association can form a chapter, offer membership, or expand its products and services.
- **India.** India has a highly educated, young population that speaks fluent English. It is the home of 24/7 outsourcing that is getting major attention in both the U.S. Congress and the world media. Many multinational companies have presences there. Different funding models need to be established in India because of the country's disparity in income levels. India is a great place for pilot programs and either virtual or electronic membership. The traditional membership and chapter

formation can be accomplished with local leadership commitment.

- **South Korea.** With a continuing U.S. military presence in South Korea, American associations face new political challenges; however, the Korean culture supports alliances between U.S. associations and Korean national associations. The Korean educational community significantly influences the national associations, as the leaders are typically university professors. Although opportunities for membership growth or chapter formation are limited, there are substantial opportunities for knowledge exchange. The business community, based on a linkage arrangement, is difficult to penetrate. On a more positive note, national associations will support events held in North America.
- **Japan.** Great opportunities for cooperation exist in this country. Understanding the culture and making a commitment to a long-range relationship are critical to success. The organizational structure and hierarchy have to be appreciated and thoroughly investigated before an association can move forward. Establishing a strong partnership may take eight to 10 years. Associations with quality products and services and a commitment to lifelong learning will be favorably received. Very few North American associations have established chapters and expanding memberships in Japan.
- **China.** Associations encounter significant obstacles to gaining entry into the Chinese market, including culture, political structure, organizational hierarchy, language, currency, and existing NGOs. Even with these obstacles, China can be an exciting market for professional membership associations; trade associations may have more difficulty because of trade issues. Associations have the knowledge commodity to export and import. It is necessary to partner with an existing NGO and/or university. The choice of a university must be made wisely because China force-ranks its universities. New funding models need to be developed to support pricing, expenses, and profitability. A substantial challenge exists for exchanging currency and moving those monies from the country.
- **Australia.** Associations in Australia have a close linkage with Europe, which at times can create uncertainty for those based in the United States. Their national associations have a visionary, global focus with a fierce competitiveness. Therefore, membership expansion and product and services infusion are limited, but opportunities exist for collaboration in the areas of international standards, conferences, and certification.

Before you proceed

To prepare your association's strategy for the global market, investigate, research, list, and question the basic value contrasts of the countries of interest with that of your own. In addition, aggressively perform due diligence and ask the association's leadership, membership, and staff hard questions, making sure that you have their commitment and support, as well as the necessary resources, before proceeding.

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National Competitive Advantage: Culture Matters

By Victoria G. Axelrod

Are national cultures the next big thing—again—in the race for better jobs and an improved U.S. economy? In the IT industry, why is India the hub of success, China the hub of imitation, and the United States the hub of mass production and innovation?

Global associations are key for driving national competitiveness through their services to industry, professional/trade workers, and government policy.

Offshoring, the movement of not only unskilled jobs but also white-collar jobs abroad, and the lack of new job creation in America, have sparked the debate about our national competitiveness in the global economy. At present, the low cost of labor is the driver, but the countries providing the labor are not necessarily content to be the outsourced providers for long. We in the U.S. may be reaping a comparative advantage of cost savings in the short term; however, we are undermining our ability to innovate. Innovation will provide the true competitive advantage in the long term.

Culture and economics

What we value culturally is as much a part of our jobless recovery as are the economics of offshoring. Spending on education, both for scientists and engineers, has fallen, and R&D departments continue to get less funding as a percentage of corporate budgets. The attendance of foreign students at U.S. universities—who used to comprise close to 50 percent of graduate students in science and technology—has also started to decline, indicating that the United States is no longer a primary destination for top-tier education.

The debate is perceived as either economic or cultural. But both are dynamically intertwined. Identifying targets for action requires understanding how cultural biases influence technological and economic development.

In 1990 Michael Porter, a professor at Harvard Business School, wrote [*The Competitive Advantage of Nations*](#) (1990, Free Press), as a book and as a [Harvard Business Review article](#), both of which have been the basis for expanded and implemented programs in overseas countries as well as in the United States.

“In a world of increasing global competition, nations have become more, not less, important,” he writes. “As the basis for competition has shifted more and more to the creation and assimilation of knowledge, the role of the nation has grown. Competitive advantage is created and sustained through a highly localized process. Differences in national values, culture, economic structures, institutions, and histories all contribute to competitive success. There are striking differences in the patterns of competitiveness in every country; no nation can or will be competitive in every or most industries. Ultimately, nations succeed in particular industries because their home environment is the most forward looking.”

As for “differences in national values, culture, economic structures, institutions, and histories,” we can look to the work of Charles T. Hampden-Turner and Alfons Trompenaars, who examined seven advanced economies from the lens of national culture in [*Seven Cultures of Capitalism: How America Wins and Loses the Unconscious War of Capitalism*](#) (1993, Doubleday & Company).

“In our survey of 15,000 executives, we found that the culture of origin is the most important determinate of values,” the authors say. “In any culture, a deep structure of beliefs is the invisible hand that regulates economic activity. These cultural preferences, or values, are the bedrock of national identity and the source of economic strengths—and weakness.”

We can open up a wider range of opportunities for wealth creation by understanding that we base economic decisions on values or beliefs. Homogenizing capitalism to an Anglo-American approach limits creativity and innovation. Cross-cultural consulting firms, such as [Trompenaars Hampden-Turner](#) and [ITAP International](#), proffer practical tools for assessing the national preference of individuals and organizations in a business context to expedite productivity.

Cultural differences are not apparent; they are implicit in the process of day-to-day business activities. An assessment allows people to make critical values explicit. For example, in business today the dimension of time is driven by the Internet, which never sleeps. Work flows 24/7. Yet some cultures approach time more as a sequence (working in fast steps) than as synchronization (working in coordination), and still others operate everywhere along the continuum. The implications for transnational work are enormous.

Do we know what we don't know?

Want to quiz yourself on your level of understanding of how microeconomics and cross-cultural perspectives are intertwined? Read Yasheng Huang and Tarun Khanna's article “Can India Overtake China?” in the July/August 2003 issue of [Foreign Policy](#). Written for a business leader, the article describes the economic paths chosen in the context of two very different national cultures, both of which are emerging capitalist players. Read this with the subtext of national culture. How culturally literate do you feel on a scale of one to five? Read through an economic lens. How literate are you in microeconomics on a scale of one to five?

Critical role of associations

Associations by their very nature and mission are in a perfect position to be the hub of collaboration between and among industry groups, networks, and communities of interest to drive economic success (competitiveness) through a matrix of national values. A to-do list for global associations might be:

- Generate research on competitiveness by nation and cross-indexed by industry.
- Synthesize trend data if your members represent an industry that spans nations. Note that industries tend to cluster geographically.
- Provide training in new skills for emerging workforce needs, geographically.
- Collaborate with corporations and universities for subject matter expertise.
- Offer programs to improve microeconomics literacy coupled with cross-cultural literacy.
- Make cross-cultural literacy *and* microeconomics literacy requirements of all global certification programs.

Old economic models portrayed a zero-sum game of national competition, where one nation succeeded at the expense of another, but today we all win. Anticipating the next wave of job migration, such as offshoring, doesn't have to be a mystery or a surprise if associations play their roles well.

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Online Branding in the New Name Economy

By Naseem Javed

As they have learned to harness the power of the Internet, associations have replaced what used to be simple information pages with powerful Web-portal, moneymaking gatekeepers. But the investment in e-commerce is wasted if people can't find you. As our net-savvy cultures become a global phenomenon, associations face issues of rebranding—and possibly renaming products, services, and even the organization—to stay in the race for better name identity and global visibility.

Global cyberbranding

Business identity is the only measure of success in a micro-multinational formation in a maze of countries and cultures. Economical powers are defined by their cyberpresence and simultaneous accessibilities in targeted countries. Here, cumbersome visuals are replaced by fluid URLs, thus creating a new *name economy* accessible only through online name identities.

In contrast to building a brand with flashy logos, colors, and fonts, online branding is about short, simple, highly effective, globally trademarked names with matching dot-com URLs. It is about the alpha-structure of a name and its direct functionality on search engines. Names must be sober and respectable, related to the cause, clearly available, and globally protected with an identical dot-com. In addition, good names have a direct impact on corporate persona; positively affect customers, members, and media; and influence public opinions at large.

It's time for associations to explore the power of names, understand the new laws of marketing, and learn how to play this sophisticated name game.

Words can hurt you

The borderless marketing venue afforded by the Internet provides associations with unlimited access to new customers as long as they can see you and find you. Good names climb to the top of search engines and appear pertinent, quickly inviting readers to open your site. So name properly, and bear in mind the difference between a massive branding exercise and a highly specialized naming expertise.

Three types of names can hurt an association's online image and identity.

- **Long geographic names** that are often condensed to initials, causing confusion and difficulty when trying to find the association online.
- **Words on a string** that are combined either strategically or accidentally, sometimes making no connection to the association or its members at all. (Members and customers hate them.)
- **Acronyms or initials** that emulate different personalities from the association's real identity can cause confusion. The nonprofit sector has a strange and most unusual collection of initials.

Star quality

Only a small percentage of association name brands can pass the acid test of global suitability. Apply this three-step analysis to see if your association can pass.

1. Diagnose. To a customer, a name is a name, no matter how it is offered. Names, whether of products, services, divisions, or the main association name, fall into one of three categories.

- *Healthy names* are extremely easy, absolutely unique, highly related to the business, and have global trademark protection plus an identical dot-com name for simplicity and easy access to the organization. When a name meets these five critical criteria, it is a five-star quality name. Any name with fewer than five stars will never survive and all branding efforts will be lost.
- *Injured names* are long, confusing, diluted, or initialized. Simple dictionary words also cause confusion. There are too many *firsts*, *uniteds*, *nationals*, and too many with names that incorporate compass directions.
- *Life-support names* are tangled in serious trademark or obvious confusion problems. Names without identical dot-coms or with no apparent connection to the product, service, or association are constantly in need of oxygen. Spelling difficulties can also kill a name.

2. Analyze. Audit and analyze the name in detail with a proper general checkup so that specific steps can be taken to change or modify it. Most associations have dozens of different names, plus domain names that clash. It's always better to have a few healthy, strong, and protected names so that long-term brand values are established.

3. Treat. It is actually easy to reposition and rebuild the name identity of a product or service if you seek the right expertise and choose a five-star quality name. (Look for webinars on naming, and research references on the Internet on corporate image.) Remember, healthy names are always fit to run the race, so they cost less to promote. Injured names cost 10 times more—and we won't even talk about those on life support.

Naseem Javed, founder of ABC Namebank with offices in New York and Toronto, is a speaker and author of Naming for Power: Creating Successful Names for the Business World (1997, Linkbridge Publishing) and Domain Wars (1999, Linkbridge Publishing). E-mail: nj@njabc.com. Copyright 2004 Naseem Javed.

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Navigating the Maze of VAT Regulations

By Helen van Oers

If your association sells memberships or publications or holds events in Europe, you may be responsible for collecting (or paying) value-added tax, also known as VAT.

It's by no means possible to write a comprehensive overview on VAT for nonprofit organizations. Not only would such a treatise be too lengthy, the complexity and variability in VAT regulations simply do not allow for a cheat sheet. However, a brief

encapsulation of VAT, including its implications on association activities, along with possible pitfalls to avoid, will help you find your way through the regulatory maze.

What is VAT?

VAT is a European general consumption tax assessed on goods and services. It is a *consumption* tax because its cost is ultimately borne by the consumer; the tax is not a charge on the organization. Instead, VAT is charged as a percentage of the sales price of the goods and services. Organizations that incur VAT on purchases for business activities can, subject to certain rules, deduct these taxes from their VAT liability (the amount they owe). This recuperation of incurred taxes can add up to a considerable amount of money that otherwise would be considered a cost.

Though VAT regulations are based on European Union directives, the various EU member countries have a certain degree of freedom in their interpretation. This has resulted in significant differences in VAT requirements and obligations for each country, which is one of the major challenges in applying (and understanding) this tax.

Basic principles

VAT applies to all commercial activities involving the production and distribution of goods and the provision of services. To determine whether VAT is applicable to your goods and services, five questions need to be answered:

- Is the activity carried out by a taxable person (as defined by the local income tax legislation)?
- Is the transaction taxable?
- Where does the transaction take place?
- Does an exemption apply?
- What is the VAT liability?

Although VAT is an EU-wide tax, the answers will vary depending on the country where the activity takes place. And even if VAT is applicable, in some countries the *reverse-charge mechanism* is applied. This means that, if the purchaser has the right to reclaim VAT back from the tax authorities, the tax should not be charged in the first place. This can be applicable to certain transactions, either within a specific country, intra-EU, or extra-EU.

Association exemptions

An EU-harmonized exemption on VAT exists when the transaction is provided

- by a nonprofit association;
- on behalf of the member;
- for the common benefit of members;
- by an association whose membership fee is fixed by the articles of incorporation; and
- by an association whose reason for existence is of either a trade union, religious, humanitarian, political, patriotic, philanthropic, or civic nature.

These conditions must be met simultaneously. Many associations will comply with the first four conditions; however, the fifth is crucial when applying for exemption status.

VAT liability

The VAT liability of a transaction depends on the product or service provided. Many variables determine whether association activities are taxable.

- **Membership.** Membership is seen as a service that takes place where the association is established. So VAT liability depends on the location of the office that mails dues invoices.
- **Advertising.** Similar to membership, the tax liability of advertising depends on where the advertising is sold.
- **Periodicals.** The VAT liability on periodicals depends on whether the periodical is

part of the membership fee and is defined by the location where it is produced, stored, and shipped from. These last three factors are also crucial in defining VAT liability for industry publications sold by your association.

All of these activities require a one-time verification of liability at the local level where the transaction takes place. Once the VAT liability is defined, the association should register for VAT in the particular country and ensure that all documentation requirements are met.

Much more challenging is the VAT liability on conferences, seminars, exhibitions, and other events, as these tend to move from country to country. Again, the VAT laws of the country where the activity is physically carried out apply. Some countries allow temporary VAT registration for events.

VAT requirements

Determining VAT liability requires a close look at every detail of a transaction. If, for example, an exhibitor receives exposure other than from a booth at your conference (such as a Web site link or mention in your newsletter), it could change the VAT regime from exhibition to advertisement. It is crucial to detail every step in the sales activity.

VAT liability has several implications on sales documents. For example, requirements dictate certain conditions for the application, order, or registration process (e.g., request the customer's VAT number, the VAT percentage to be added to the sales price, and possibly, the appropriate article of the VAT law, which indicates whether the tax is applicable or not). The registration process must also include an invoice containing specific information, which varies from country to country (e.g., mention of the organization's and/or customer's VAT registration number, mention of the specific VAT article, or sequential numbering). This will also affect your e-commerce activities (read "[EU VAT: a New Tax Headache for E-Commerce](#)").

The table below illustrates the variability in VAT requirements for events held in different EU member states.

Country	VAT %	VAT liable	Customer VAT number required on invoice	Sequential invoice numbering	Frequency of VAT claims
United Kingdom	17.5%	Yes	No	Yes	Quarterly
Ireland	21.0%	No	Not Applicable	Not Applicable	Not Applicable
Sweden	25.0%	Yes	Yes	Yes	Monthly

Due diligence

The key to complying with VAT regulations is to research the tax and registration process well in advance. To define the specific circumstances of the activity, and thus the VAT liability, will take a considerable amount of time, after which the VAT registration process has to start. The actual sales process can only start once these steps have been completed.

Because regulations vary from country to country, a local VAT consultant is invaluable. Many of the large financial auditing firms have VAT specialists in EU countries. Additionally, there are local VAT consultants in each country.

Resources

- [Value-Added Tax: Practical Aspects](#)
- [HM Customs and Excise](#)
- [Value-Added Tax Rates by Country](#)

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